

## Miriam Lens

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**From:** Jesus Armas [REDACTED]  
**Sent:** Monday, July 11, 2011 9:34 PM  
**To:** List-Mayor-Council  
**Cc:** Fran David; Robert Bauman; Alex Ameri; Miriam Lens  
**Subject:** Sewer and Water Connection Fees

Mayor and Council:

At its July 12 meeting, the Council will be considering adjustments to both the sewer and water connection fees. As I have not evaluated the basis for the adjustments, I render no opinion as to the merits of the increases. I know that both the staff and Council critically and carefully evaluate the need for such increases. Accordingly, I rely upon and trust your judgment on whether the recommended increases are warranted.

I would, however, like to share to share observations that have to my attention over the course of the last few months while interacting with industrial brokers. Specifically, a number of brokers have expressed the view that these fees have made it difficult to find tenants to occupy vacant spaces in the industrial area. While the City's fees appear to be comparable to (and in some instances less than) neighboring jurisdictions, the brokers point out that higher values in other jurisdictions make it more feasible to absorb higher fees.

It would seem that short of not increasing the fees, other options should be considered to make Hayward's industrial properties attractive. Staff is to be commended for recommending continued modifications in the methodology utilized to calculate sewer connection fees for selected types of businesses. It is critical that the City continue to explore methods that maintain the financial integrity of both utilities, while at the same time continuing to be mindful of impacts on Hayward businesses and on the local economy. In this spirit, let me offer the following for your consideration. Should you determine that the following concepts have merit, you may want to ask staff to evaluate them and return at a later date with their findings.

As noted in the staff report, present regulations allow sewer connection fees which are greater than \$25,000 to be paid over a three-year period, subject to approval of the City Manager. The specific Municipal Code language appears at Chapter 11, Article 3, section 255 (g). It reads as follows:

- g. Payment Schedule. Sewer connection fees in excess of Twenty Five Dollars (\$25,000) may be made in monthly payments, over a term of thirty-six months, with interest, subject to the determination and approval of the City Manager.**

While the latitude is certainly beneficial, the Council may want to consider enabling a business with a higher fee the "right" to pay the fee in installments, with more time to pay the fee as the amount increases. For example, for a business with a connection between \$25,000 and \$50,000, the discretion contained in 11-3.255 (g) could remain in effect. However, for a fee of at least \$50,000, the business operator would have the right to pay the fee over three years. For a business with a fee of \$100,000, the operator would have the right to pay the fee over four years. And for a business with a fee of \$150,000 or more, the operator would have the right to pay the fee over five years. Providing the business operator with the right to pay the fee over an extended period of time could partially lessen the impact of the fee. Whether the dollar thresholds and time periods noted here are the right ones is certainly up for debate. I do, however, believe that current economic conditions warrant evaluating this concept.

Currently, the ability to pay a connection fee over time is limited to the sewer system. For some unexplained reason, this option does not extend to the payment of the water connection fee. (I plead ignorance as to why this option is not available to a business responsible for paying a substantial water connection fee.) So, another option the Council may want to consider is modifying City regulation to provide for an installment plan for water connection fees.

Again, I would suggest that staff evaluate this and present a recommendation to you at a later date.